

Memo

To: **Montana Wheat & Barley Committee**

From: Terry Whiteside

Date: February 28, 2007

Re: **Transportation Report**



A CALL TO ACTION

RAIL SHIPPER DAY – MARCH 15, 2007

Alliance for Rail Competition - Rail Customer Day Activities

United States Capitol

Wednesday, March 14, 2007 & Thursday, March 15, 2007

The Alliance for Rail Competition will be participating with all interested groups in the **Third Annual Rail Customer Day on Thursday, March 15.**

For ARC members, we will be holding an **ARC pre-briefing on Wednesday afternoon, March 14th at 5 pm** at the ARC Washington offices, located at Meyers & Associates, 412 1st Avenue S.E., Washington, D.C., Phone: 202-484-7133. At the pre-briefing, ARC members will receive briefing packets, name badges, material and suggestions for your Congressional visits the next day on Capitol Hill.

Please make your plans now to attend all Rail Customer Day activities in Washington, D.C. The day will run from 8:00 a.m. to 7:00 p.m., Thursday, March 15. This is a busy time in Washington, D.C. – Cherry Blossom, Railroad Day (March 14th) thus it is important that you make your travel and lodging plans as soon as possible. Should you have any questions, please do not hesitate to contact (Meyers & Associates) Sally Wright or Holly Meagher at (202) 484-2773 or sally@meyersandassociates.com or hollymeagher@meyersandassociates.com

Scheduling Meetings with Members of Congress and Staff:

Since ARC will be coordinating all of your efforts with other rail customers groups, it is important that each ARC member let us know of your plans to attend the Rail Customer Day as soon as possible. You may schedule meetings with your Congressional delegation or the ARC/Meyers & Associates staff will be happy to assist in scheduling these meetings in your name. In the event you want to schedule meetings

personally, please let us know about any meetings you have scheduled, please provide Sally Wright or Holly Meagher at Meyers & Associates with the following information:

- Member's name and his/her district (or state)
- Staffer name(s) and title(s), if not visiting with Member
- Time of visit
- Location of visit (if different than the Member's office)
- The names of all rail customers that you believe will be attending the meeting

ARC will then include your scheduled meeting in its coordination outreach with other rail customer groups and will produce a co-operative matrix of all meetings on shipper day.

The Consumers United for Rail Equity has agreed to host the activities on Rail Shipper Day (Rally and Reception) on behalf of all of the members of the Washington based Rail Customer Coalition.

PROPOSED SCHEDULE ON WEDNESDAY, MARCH 14, 2007

5 p.m.

Pre-Meeting For ARC Members and their representatives at Meyers & Associates, ARC Washington, DC based staff, 412 – 1st Avenue S.E. (next to Bullfeathers restaurant on the House side of the capitol – see map - attached)

Host: Terry Whiteside, Chairman; Mike Snovitch, Executive Director
Meyers & Associates: Larry Meyers, Rick Meyers and Fran Boyd

PROPOSED SCHEDULE ON THURSDAY, MARCH 15, 2007

8:00 to 10:00 a.m. CURE Breakfast rally with Rail Shippers and Members of Congress
Room G-50
Dirksen Senate Building (see map – Senate side of Capitol)
Washington, DC 20510

10:00 to 5:00 p.m. Multi-industry meetings continue

5:00 to 7:00 p.m. CURE Reception with fellow rail customers, Members of Congress and staff
Tentative Location: House Transportation & Infrastructure Committee Hearing Room
(see map – House side)

A SECOND CALL TO ACTION: AGRICULTURAL PROVISIONS IN THE NEW RAIL BILL

LET YOUR SENATORS AND CONGRESSMAN KNOW – THESE THREE PROVISIONS ARE CRUCIAL TO AGRICULTURAL SUPPORT OF NEW RAIL BILL

Since the Staggers Rail Act deregulated the rail industry in 1980, Class I railroads have abandoned 50% of their track – from 200,000 miles to 100,000 miles – down to the same mileage that existed in 1890. Even more dramatic, after over 50 railroad mergers, the number of Class I railroads have plunged from 42 in 1980 to six today – with four majors - Union Pacific/Southern Pacific and the Burlington Northern/Santa Fe in the West; CSX/Conrail and Norfolk Southern/Conrail in the East – and these four Class I's own 90 percent of the track and control over 94 percent of rail revenue. The geographic separation of these railroads -- two in the East and two in the West -- further reduces competition. No other industry has been allowed to amass such market power unchecked. What we have today is four monopoly railroads with virtually no regulatory oversight. With this massive concentration of railroad marketing power, the agricultural producers find themselves increasing captive and subjected to the market dominance of these single railroads.

For wheat, barley, soybean producers, and for all of agriculture, the need for rail service has never been greater. As the captivity levels have increased, the quality of rail service to agriculture has declined, while the cost of that service has skyrocketed. In a nutshell, that is why there is so much interest in legislation to address rail service problems today. Wheat, barley, corn, soybeans, sorghum, dry distiller grains and all agricultural production are suffering from the lack of rail competition.

Legislative Activities

Rail Competition legislation is being redrafted in the 110th congress by Congressman Oberstar (MN) and Senator Dorgan (ND); and is expected to be introduced in early March. Agricultural organizations, including the National Association of Wheat Growers and National Barley Growers Association working with the Alliance for Rail Competition, will join with other industry groups to hold a Rail Shippers Day on March 15, 2007. The Alliance for Rail Competition and agriculture is fighting to keep three key agriculture needs included in this legislation:

1. Final Offer Arbitration: This arbitration option of rail disputes between rail carriers and their customers. The arbitration may be requested by the rail customer or the railroad, and shall be "final offer arbitration" in which the arbitrator may only choose the final offer of the rail customer or the railroad – also known as 'baseball style'.
2. Areas of Inadequate Rail Competition: Establishment of a new process for states or political subdivisions of states that are served by a single Class I carrier resulting in either excessively high rates or competitive disadvantage based on these rates. Governors may file for this designation, and once designated, the Surface Transportation Board (STB) would be required to expedite remedies from a broad range of options delineated in the law.
3. Establish an Agriculture Transportation Representative at USDA whose job it would be to develop factual predicate about the captivity of agricultural America, its rail transportation needs, and represent the agricultural interests before the STB.

The Alliance for Rail Competition is working National Association of Wheat Growers, National Barley Growers and all agricultural groups to get the agriculture's interest inserted in the Rail bills.

Agricultural interests need to make sure that Congressman Oberstar and Senator Dorgan and your Congressional reps know that it is critical that these three provisions be inserted in the Rail bill in order to ensure agriculture's support for these bills.

The 2006 Montana Grain Transportation Survey and Analysis Is In Draft Stage and Will Be Published in the Near Future

After many months of information gathering and joint collaboration the Montana Rail Grain Transportation Survey and Report 2006 has been completed. The Montana Rail Service Competition Council (MT RSCC) commissioned Whiteside & Associates and the Montana Department of Transportation to conduct a survey of the rail grain harvest in the fall of 2006 to build factual predicate of the transportation conditions surrounding the 2006 Montana grain harvest.

Whiteside & Associates/MDOT on behalf of the MT RSCC appreciates the help and assistance of Montana's premiere farm groups for their assistance in gathering survey data. The Montana Farm Bureau, the Montana Farmers Union, the Montana Grain Growers Association and the Montana Wheat & Barley Committee all contributed time, energy and effort to ensure the broadest cross section of respondents to the Survey. The farm groups provided access through their Conventions for survey data collection. Additionally, Montana Grain Growers Association at their statewide listening sessions and through electronic surveys provided additional responses. Over 190 farm producers from twenty-nine counties responded to the survey. The Survey and Analysis will be available on the Montana Rail Service Competition Council when it is finalized in the next few weeks.

The survey in brief found 13 major findings:

1. Grain is being hauled further and further primarily over the state and county highway systems.
2. The majority of farm producers have experienced increasing hauling distances over the past 10 and 20 years.
3. Those farm producers experiencing increased haulage are hauling over 3 times as far as those farm producers who have not experienced any increased hauling distances.
4. The non-wheat crops are experiencing significantly greater hauling distances than wheat crops, further burdening alternative and rotational crop practices.
5. Some counties show average hauling distances upwards of 80+ miles.
6. The 2006 harvest in Montana could be best described as a tale of two cities – with Winter wheat showing average to above average yields and Spring wheat, durum, barley, pulse, peas and lentils showing average to below average yields.
7. The vast majority of farm producers have the capabilities of storing most if not all of their grain production.
8. Even with the diversity of yields, most Montana farm producers experienced elevator pluggings multiple times during harvest – due to lack of rail cars.
9. With the multiple elevator pluggings, most farm producers held onto to their crops and waited for the rail car shortages to abate rather than take their grain to more distant elevators.
10. Farm producers generally thought these delays and elevator pluggings were 'about average' and par for the course.
11. Farm producers are finding unloading delays at ever more distant elevators each year.
12. As the elevator system is being forced to larger, more rail efficient shuttles coupled with the loss of thousands of miles of rail branchlines in the state, the costs of transportation for

gathering grain seem to be shifting from the railroads to the farm producers and to the State and local highway system.

13. The service levels do not seem to be improving with the transition to larger grain handling facilities.